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Message Text

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44
ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 EB-11 IGA-02 AGR-20 CIAE-00

INR-10 NSAE-00 RSC-01 COME-00 OMB-01 TRSE-00 L-03

RSR-01 /087 W
---------- 109576
R 152117 Z JUN 73
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC 0197

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E. O. 11652: N/ A
TAGS: EAID, EAGR, BL
SUBJ: PL-480 TITLE I AND WHEAT PROGRAM

REF: (A) STATE 110746; (B) LA PAZ 3208

SUMMARY: CANNOT ESTIMATE AMOUNT FUNDS NEEDED NOR IDENTIFY ALL POSSIBLE SOURCES FINANCE LONGER RANGE PROGRAM AS GOB PROGRAM NOT YET DEVELOPED. WE HOPE WILL HAVE FAILY WELL DEFINED PROGRAM BY THIS FALL. GOB ESTIMATES COST NATIONAL WHEAT PRICE SUPPORT PROGRAM THIS CY ABOUT $ B 16.3 MILLION. UNCOMMITTED COUNTERPART BALANCE UNDER PRECEDING PL-480 AGREEMENTS $ B 39.8 MILLION. THUS, NO FUNDS WOULD HAVE TO BE DIVERTED FROM OTHER SELF- HELP ITEMS THOUGH ALL CAN ALWAYS USE MORE FUNDS. WE BELIEVE WHEAT PROGRAM SHOULD NOW HAVE TOP PRIORITY. END SUMMARY.

1. GIVEN PRESIDENT BANZER' S DETERMINATION TO MAINTAIN BREAD PRICE AND GIVEN DIFFICULTIES MOVING FLOUR PRICE UPWARD WHILE LEAVING
BREAD PRICE FIXED, SUB- SEC ZAMORANO OF MININBOXCOM ESTIMATES COST OF NATIONAL WHEAT PRICE PROGRAM AT $ B 16,250,000 IN CY 1973.
MININD/ COM HAS NOT YET THOUGHT OUT LONGER RANGE PROGRAM, BUT ALL THOSE PRESENT AT MEETING REFERRED TO IN REF B (MINAG NATUSCH, ACTING MINFIN JULIO PRADO, SUB- SEC MINFIN RIVERO AND BLANCO, SUB- SEC MININD/ COM ZAMORANO, SUB- SEC MINAG AYALA AND DIRECTOR WHEAT INSTITUTE
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CORONEL) ACCEPTED CONCEPT OF MOVING INTO MORE FLEXIBLE LONG RANGE PROGRAM AND ZAMORANO AND AYALA WITH WHOM WE NOW HOLDING REGULAR MEETINGS CONTINUE TO ACCEPT THIS CONCEPT.

2. ZAMORANO TOLD ECONOFF AND ACTING USAID/ AG DIVISION CHIEF ON JUNE 13 THAT PRICE FOR DOMESTIC WHEAT PAID BY MILLER NET OF GOB COMPENSATION SET AT $ B 80 PER QUINTAL WHEREAS NET AMOUNT TO BE PAID BY MILLER ON IMPORTED WHEAT SUBJECT TO STUDY OF MILLING COSTS BEING CONDUCTED BY INTERMINISTERIAL COMMISSION. ECONOFF REPEATED HIS EARLIER REMARKS TO MININD/ COM PEREDA THAT THERE SHOURJ BE PRICE PREMIUM ON IMPORTED WHEAT OVER DOMESTIC WHEAT PRICE AND THIS ESSENTIAL
TO ENSURE SMOOTH MARKET FOR DOMESTIC WHEAT. ZAMORANO INSISTED ANY MILLER COULDHGE FORCED BY GOB TO BUY DOMESTIC WHEAT BY CALCULATING DAILY CAPACITY QUANTITY LOCAL WHEAT OFFERED AND WITHHOLDING IMPORTED
WHEAT. ECONOFF SAID HE DOUBTED EFFIPCY OF SUCH CONTROL SYSTEM DUE WIDE DISPERSAL OF MILLS AND NEED FOR CAREFUL CALCULATION
OF QUANTITIES AND TIME PERIODS OF OFFERS OF DOMESTIC WHEAT. NOTED MILLERS PREFERRED IMPORTED WHEAT AND WOULD DO EVERYTHING THEY COULD TO TAKE IMPORTED WHEAT AT EXPENSE DOMESTIC. ZAMORANO FINALLY SAID PRICE DIFFERENTIAL MAY BE NECESSARY AND WOULD REVIEW SITUATION.

3. ZAMORANO THEN SAID FLOUR PRICE COULD NOT BE FREED FOR THE PRESENT. PRESIDENT AND CABINET FIRM ON MAINTAINING BREAD PRICE AS KEY ELEMENT IN PREVENTING RUNAWAY INFLATION, UNACCEPTABLE PRESSURE FOR HIGHER WAGES AND POLITICAL UPHEAVALS. FIRST STEPS TOWARDS PROGRAM GOB LIKELY TO TAKE WOULD CONSIST OEXC 1) REDUCING QUALITY OF BREAD BY INCREASING PERCENT OF FLOUR TAKEN OUT OF EACH UNIT WHEAT; 2) MIQLING WHEAT FLOUR WITH FYE FLOUR AND POSSIBLY OTHER FLOURS; AND 3) SELLING BREAD BY WEIGHT RATHER THAN UNIT. SAID THIS WOULD NOT BE ENOUGH AND BREAD PRICE WOULD FINALLY HAVE TO BE MOVED UP. ON THE PRODUCTION SIDE, GOB INTENDS BUY ALL ACCEPTABLE WHEAT PRODUCED IN SANTA CRUZ FOR PLANTING NEXT YEAR.

4. ECONOFF AGAIN SUGGESTED ADVISABILITY EVENTUALLY MOVING TO FLEXIBLE PRICE SUPPORT PROGRAM ALONG LINES INTERNATIONAL TIN COUNCIL MECHANISM WITH BUFFER STOCK, FINANCING, UPPER AND LOWER SELL AND BUY PRICE TARGETS. SAID USAID/ AG INTERESTED IN STUDYING THIS POSSIBILITY WITH GOB. ZAMORANO SAID HE LIKED THIS APPROACH, BUT THOUGHT IT MIGHT BE DIFFICULT FOR GOB STAFF TO MANAGE.
ECONOFF SAID IF IDEA APPEARED PRACTICAL HE BELIEVED USG INCLINED
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HELP WITH TECHNICAL ASSISTANCE AND POSSIBLY FUNDS.

5. AT END OF MAY, COUNTERPART BALANCES UNDER THREE PRECEDING PL-480 TITLE I AGREEMENTS TOTALLED $ B 56.3 MILLION AND COMIBOL STILL SHOULD DEPOSIT FURTHER $ B 13.2 MILLION, BRINGING GRAND

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TOTAL TO $ B 69.5 MILLION. AGAINST THPK AMOUNT WE HAVE FIRM COMMITMENTS ONLY $ B 29.7 MILLION, LEAVING AN UNCOMMITTED BALANCE OF $ B 39.8 MILLION.

6. NO GENERATIONS HAVE YET BEEN MADE UNDER THE CURRENT PL-4 80 AGREEMENT. THEY ARE LIKELY TO BE QUITE SMALL UNTIL THE END CY 1973. THERE USUALLY HAS BEEN A 165 DAY LAG FROM OPENING OF DOCUMENTS TO TIME OF DEPOSIT. ZAMORANO STATED THE GOVERNMENT EXEPCTS TO REQUIRE DEPOSIT OF ABOUT $ B 10 MILLION OR 20 PERCENT OF THE TOTAL REQUIRED DEPOSIT AMOUNT ON THE FIRST 29,100 M. T. WHEN THE MILLING COST STUDY IS COMPLETED.

7 . THE SELF- HELP ITEMS IN THE PRECEDING AGREEMENTS CAN ALWAYS USE MORE FUNDS. WE BELIEVE THE CRUX OF THIS MATTER IS THAT WHEAT AND MARKETING PROGRAMS HAVE LONG BEEN IMPORTANT SELF- HELP ELEMENTS
IN PRECEDING PL-480 AGREEMENTS AND NOW DOMESTIC WHEAT PRODUCTION AND MARKETING OF CRUCIAL IMPORTANCE IN FISCAL AS WELL AS BALANCE OF PAYMENTS SENSE. IF WE ARE GOING TO CRACK THIS NUT IN BOLIVIA WE SHOULD DO SO NOW AND ON PRIORITY BASIS. ALTHOUGH NO FUNDS WOULD NEED TO BE DIVERTED FROM OTHER SELF- HELP ITEMS TO WHEAT PROGRAM, BELIEVE THAT IF NECESSARY WE SHOULD DO SO.

8. REGRETTABLY, GOB PLANS FOR LONG RANGE SOLUTION TO WHEAT, FLOUR AND OTHER GRAINS PRICE PROBLEMS NOT YET VERY FAR ADVANCED. NEVER-THELESS, GOB AUTHORITIES RECONGIZE THEY CANNOT GO ON AS THEY ARE. WE BELIEVE THAT THEY WILL BE WELL ALONG TOWARDS DEVELOPING A LONGER RANGE, MORE FLEXIBLE PROGRAM BY THIS FALL.
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